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ABSTRACT

The rural economy has performed badly during the 1980s. While the recession of the early 1980s was responsible for much of the trouble, the slow rural recovery demonstrates the fundamental hurdles facing the rural economy. Central among these are economic disadvantages, including remote locations isolating rural producers from their markets, low population densities that inhibit innovation and efficient production, and a rural population that is ill-prepared for better jobs that could pay higher incomes. Rural residents should not count on major shifts in the economy that would produce a windfall solution to their current economic problems. Instead, the most promising solutions require community-wide actions to adapt to change and to exploit the creative opportunities for economic growth that arise during times of economic change. Low educational attainment in one rural population and the relative lack of organization and leadership in rural communities inhibit effective community action. By taking a broader view of their responsibilities within rural communities, schools can help rural residents create better futures for themselves. This paper presents a clearer definition of rural areas and discusses the misunderstandings about rural America and what its problems are. Strategies that put local communities in charge of their own development are discussed with an emphasis on innovation and education. An Appendix supplies information specifically for Kentucky, Tennessee, Virginia, and West Virginia. (Author/ALL)

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RURAL AREAS IN THE 1980s: PROLOGUE TO THE 21ST CENTURY

J. Norman Reid[1]

ABSTRACT

The rural economy has performed badly during the 1980s. While the recession of the early 1980s was responsible for much of the trouble, the slow rural recovery demonstrates the fundamental hurdles facing the rural economy. Central among these are the economic disadvantages from remote location that isolates rural producers from their markets, low population densities that inhibit innovation and efficient production, and a rural population that is ill-prepared for better jobs that could pay higher incomes. Rural residents should not count on major shifts in the economy that would produce a windfall solution to their current economic problems. Instead, the most promising solutions require community-wide actions to adapt to change and to exploit the creative opportunities for economic growth that arise during times of economic change. The poorer educations of the rural population and the relative lack of organization and leadership in rural communities inhibit effective community action. By taking a broader view of their responsibilities within rural communities, schools can help rural residents create better futures for themselves.

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INTRODUCTION

Rural America is in trouble. In the face of national economic prosperity during the 1980s, the rural economy has stagnated. Millions have faced the loss of jobs and farms. Millions more have fled to the cities. And still more millions who were able to stay employed have endured income levels too low to pull them out of poverty.

Rural America's trouble has many sources. Much of it stems from the wide distances that separate small rural settlements from the economic vigor of the Nation's cities. Major advances have occurred in communications and transportation in recent decades. But still, isolation and small scale characterize much of rural America and these factors have limited its chances to share in the innovation-generated economic growth of the present decade.

Severe limitations to the knowledge and skills of the rural population further restrict the chances for economic and social innovation in rural communities. Urban industrialists are willing to shift routine production functions to the rural work force, but they have shown little inclination to locate more advanced functions such as product research and development in rural communities.

Though difficult, these problems do not appear to be beyond the capacity of well-designed programs to reach. But fundamental misunderstandings about what rural America is, and what its problems are, stand in the way of developing appropriate solutions. A first step, therefore, is to understand what has happened to rural America during the 1980s, and why.

WHAT IS RURAL?

Our usual image of rural areas is one of farms and forests along fence-lined country roads. We tend to think of rural areas as farm country, and rural people as farmers. In visual terms, the image is accurate: the great majority of rural land is used in these picturesque ways.

However, a statistical profile of the rural economy and population base reveals another story: few rural people now work on farms or in jobs that depend directly on farming. Fewer still live on farms. The rural world has radically changed over the last several decades. But our perceptions have not kept pace.

Our misperceptions about agriculture's current role in the rural economy stems partly from confusion about the term rural. Among several definitions, none universally accepted, the most

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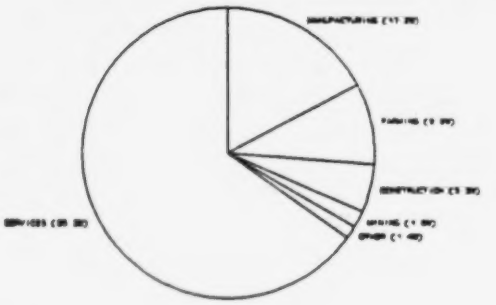
practical defines rural as nonmetropolitan America. Metropolitan Statistical Areas (MSA's) are often used for statistical analyses and administering public programs. MSA's are groups of contiguous counties with a population center of 50,000 or more that are economically and socially linked by significant levels of commuting. The rest of the country is nonmetro. Of the more than 3,100 counties in the United States, about 2,400 are nonmetro.

Nationally, nonmetro counties include a wide range of activity and social organization. At one extreme are areas of the West and Great Plains, with large areas typified by wide open spaces, low population densities, and few settlements of significant size. The Midwest and South also have much land in agriculture and timber but typically have shorter distances between neighboring communities and higher rural population densities. At the other extreme are nonmetro areas with large towns and small cities containing as many as 50,000 persons. These are found in every region, but they are most common in the eastern half of the Nation.

The rural economic base is also highly diverse. Despite the usual image of rural areas as principally agricultural, other industries--especially manufacturing, mining, and government--have greater significance in most nonmetro counties. Services industries make up 65 percent of the nonmetro employment base and are the leading source of nonmetro employment growth. Manufacturing contributes one-sixth of the nonmetro employment base and is the second largest industry. Farming totals less than ten percent of nonmetro employment, a share that has dropped five percentage points since 1969 (fig. 1).

Fig. 1. Nonmetro employment by industry, 1986



The importance of industries varies among regions, of course. While farming is a part of most rural

Fig. 2. Farm-dependent nonmetro counties, 1975-79

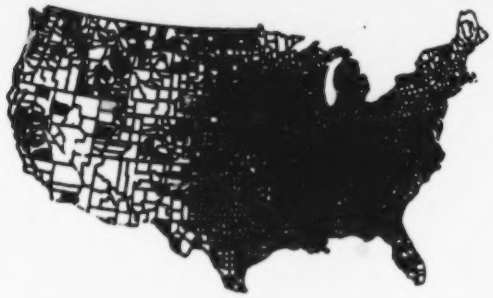
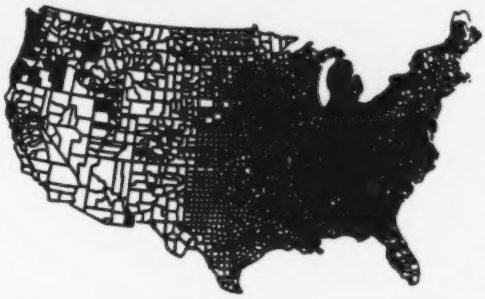


Fig. 3. Manufacturing-dependent nonmetro counties, 1979



county economies, it is predominant in only a minority, found mainly in those midwestern counties where it makes up a large share of local income (fig. 2). Elsewhere, other industries surpass farming in economic importance. About 700 nonmetro counties, concentrated in the eastern half of the U.S., rely chiefly on manufacturing (fig. 3). Still others depend on mining and oil production or large government installations such as universities, parks, and military bases.[1]

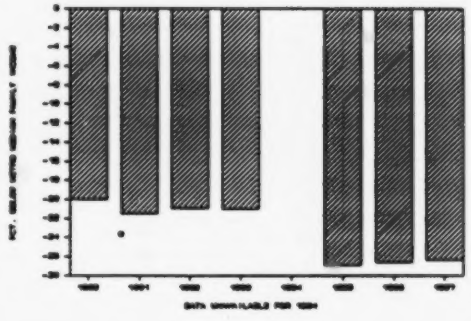
Because our thinking seldom about rural America seldom encompasses this full range of economic and social organization, we are often led into inappropriate conclusions about rural policies. To be true to reality, our notion of rural must also include America's small towns and cities and its manufacturing, mining, and services industries. Policies for rural America must be similarly broad. While they will include farm policy, they must not be dominated by it.[2] Far more important are policies to promote economic health in the services and manufacturing sectors and that develop the capacity of rural people and rural institutions to respond to the challenges posed by the globalization of the economy.

THE RURAL ECONOMY IN THE 1980s

During the 1970s, the rural economy experienced what was widely described as a renaissance. Job growth was strong, even in remote locations, as manufacturing plants moved out of the cities in search of lower wages and more stable environments. The rural population grew as well, and for the first time in more than a century, more urban residents moved to the country than the reverse. Hopes were high that the historic disadvantages of rural location were in the process of being equalized.

Those hopes have been dashed in the 1980s. During the last 10 years, the rural economy has performed badly. At the beginning of the decade, rural economic sluggishness reflected rural areas' share of the most severe economic recession since the Great Depression. That recession bottomed out in 1982; since then the Nation has experienced a vigorous and sustained economic recovery that has stimulated rapid urban employment growth and brought unemployment rates to their lowest level in 8 years. But rural areas have not participated fully in this recovery. Since 1979, nonmetro employment has grown at only 38 percent of metro area rate. And the nonmetro unemployment rate, 7.9 percent in 1987, remains more than two percentage points above the metro area level. As a result of this poor economic performance, each year hundreds of thousands of rural residents have left their rural homes to seek jobs in metro areas.

Fig. 4. Nonmetro family income has fallen in relation to metro income



The upset in rural conditions is reflected in these facts:

- The nonmetro unemployment rate reached 11.1 percent in 1982 and even now, more than half a decade into the recovery from the recession, remains 1.8 percentage points above its 1979 level.

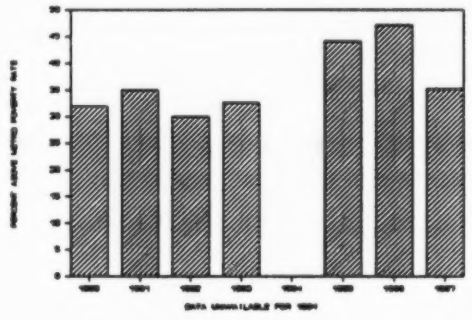
- The recession (1979-82) cut the average real earnings of nonmetro workers more sharply than metro workers, and during the recovery (1982-86) nonmetro earnings increased more slowly.

- Declining earnings widened the metro-nonmetro income gap during the 1980s, as nonmetro median family income fell to less than three-fourths of metro area family income (fig. 4).

- The nonmetro poverty rate grew by nearly a third between 1979 and 1983 and despite recent improvements it remained 35 percent higher than the metro area rate in 1987 (fig. 5).

- The net migration of residents from nonmetro to metro areas reached about three-quarters of a million persons moved between 1986 and 1987.

Fig. 5. Despite recent improvements, poverty is still more prevalent in nonmetro areas



These economic woes reflect the convergence of problems in several major industries. Most media attention has focused on the farm sector, where the bubble of high commodity and land prices burst in the early 1980s, depressing farm incomes and farmland prices and causing many overextended farm operators and rural banks to fail. Equally dramatic, but less widely publicized, was the rapid loss of jobs and income in the energy-producing industries following the precipitous drop in oil prices in the early 1980s.

But rural areas' greatest stake in the economy is no longer in these resource-based activities; it is in manufacturing, which in 1984 employed nearly one in four nonmetro workers. And the economic recession of 1981-82--the most serious since the Great Depression of the 1930s--severely

Rural areas' greatest stake in the economy is no longer in resource-based activities.

affected the nonmetro manufacturing sector, which lost 4.3 percent of its jobs each year from 1979 to 1982.

Employment losses in these goods-producing industries--farming, mining, and manufacturing--had more impact on the rural than the urban economy because goods-production is a larger part of the rural economy. Thus, while the Nation as a whole made a strong and sustained recovery from the 1981-82 recession, adding 14 million new jobs and bringing unemployment levels down to 6.2 percent by 1987, the recovery in nonmetro areas was far weaker. Total nonmetro employment grew only 40 percent as fast as metro employment between 1982 and 1986.

The Prognosis for the Rural Economy

The hard times of the 1980s may lead to an overly-pessimistic prognosis about the future prospects for rural areas. There are hopeful signs that important parts of the rural economy--especially agriculture and manufacturing--are at last beginning to recover. The nonmetro unemployment rate fell from 9 percent in 1986 to 7.9 percent in 1987 and preliminary numbers for 1988 suggest the improvement is continuing.[3] The decline in manufacturing employment appears to have been

The prosperity of the 1970s is now seen as a temporary interruption of a long-term downward trend in the rural economy.

halted, at least temporarily, by the sharp decline in the dollar against major world currencies. Nominal farm income was at all-time high levels in 1986 and 1987 and despite the 1988 drought is likely to continue at high levels. While minerals prices remain depressed, oil prices have made a modest recovery and are now about 50 percent above their mid-1986 lows. These events, combined with a growing rural retirement and tourism industry that remained basically healthy during the early 1980s, provide some basis for optimism that moderate growth may occur, at least over the near term.

In the past, rural economic growth has depended heavily on the availability of low-cost unskilled labor and land. But these jobs have not made it possible to close the urban-rural income gap.

But over the longer term, the ability of rural economies to match the employment growth potential of urban areas remains in doubt. Both major changes in the domestic and the world economies have altered the conditions under which rural areas must now compete. Furthermore, rural areas face both locational and social weaknesses that threaten to limit their growth potential.

The prosperity of the 1970s is now seen as a temporary interruption of a long-term downward trend in the rural economy. At present, it is difficult to conclude that the disadvantages of distance and small scale--features that define rural areas--have been, or perhaps can be, overcome.

The past strength of rural economies depended heavily on the abundance of natural resources and the availability of low-cost labor and land. But jobs in resource-based industries and in low-wage, low-skill manufacturing have not enabled rural areas to close the income gap with urban areas. And even these jobs may be harder to find in the future. Several factors appear likely to limit the potential for stronger rural economic growth in the longer term.

- Continued increases in labor productivity in agriculture, manufacturing, and mining are outstripping growth in demand in world markets, making sustained job growth in these industries unlikely.

- The advantages to rural locations from a labor force willing to work hard for low wages and from improvements in transportation and communications appear to have been largely realized during the period of industrial decentralization in the late 1960s and early 1970s.

- Rural areas are specialized in industries whose jobs offer lower pay and less career potential than in the urban economy.[4]

- Within industries, rural areas attract the more routine production operations that require low-skill, low-paid workers, while higher paying managerial and technical operations are more often located in cities.[5]

- Competitive pressures from Third World nations in low-wage manufacturing have led to labor-saving automation in some cases, plant closings in others.

- Given its present industrial makeup, the rural economy is projected to add only 16.7 percent more jobs by the year 2000, while metro areas are projected to grow by 22.9 percent; without major changes in its economic structure, the rural economy is likely to fall even further behind.[6]

- Business services, the fastest growing and best paying part of the service sector, are highly concentrated in major urban centers, and despite communications improvements, rural areas have shown little ability to compete in this industry.[7]

The future ability of the rural economy to be competitive in an ever more competitive national and world economy will depend on the ability of rural people to work smarter, not just harder. But the rural economy of the past did not demand well-trained workers, and the skill levels of rural workers put them at a disadvantage in terms of future growth potential.

- Problems of poor job skills, poor school systems, and a lack of urban amenities handicap rural areas in attracting the knowledge-intensive industries that are the leading growth sectors in the national economy.

- Few high tech industries have moved into rural areas thus far, despite improvements in telecommunications facilities that give rural areas the technical capacity to support increased economic activity in these industries.[8]

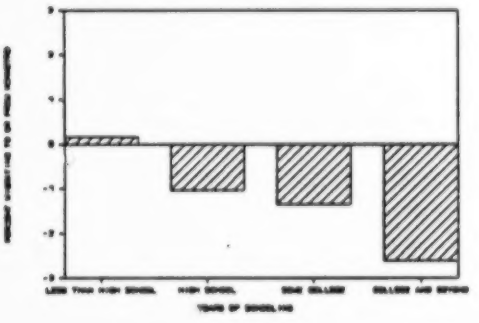
- Nonmetro area residents, on average, have completed fewer years of schooling than metro area residents, and a smaller share have attended or completed college. Educational attainment is especially low around the center of the four state region.[9]

- School dropout rates are higher in nonmetro areas than in metro areas. Dropout rates are especially high around the border of the four-state region.[10]

- Nonmetro areas are losing disproportionately large numbers of college graduates, whose net rate of outmigration was at a two percent annually in the mid-1980s (fig. 6).[11]

These trends and conditions raise important concerns about the rural economy's future. It may be unrealistic to expect rural areas to match urban economic growth, though in the 1970s we began to think this might be possible. If so, we may need to rethink the roles that rural areas will play in the future. Prominent among the roles rural areas can play are serving as recreational sites, and as preferred places to live and retire. Some rural areas may also be able to develop economic specializations that have the potential to provide their residents with good livings. If so, fewer rural residents will be forced to make a tradeoff between an adequate income and the rural lifestyle they prefer.

Fig. 6. Rural areas lost their educated to the cities, 1985-86



But it now seems evident that rural economic woes will not disappear on their own. The recession brought economic problems to rural America that its recovery did not solve. These problems reflect fundamental weaknesses that stem from the disadvantages of rural location and from the poor state of human development within the rural population. Building a brighter rural future must inevitably confront these two challenges.

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DIVERSITY OF THE RURAL ECONOMY

One of the outstanding facts about rural America is its diversity. That diversity is most evident in its economic base and social conditions and is reflected in the ability of individual localities to generate jobs and income for their residents. Although the 1980s downturn was widely shared across nonmetro America, individual areas were by no means affected uniformly. About 40 percent nonmetro counties lost employment during 1979-84, but at the same time another 45 percent were able to increase their employment by two percent.

These differences in economic performance are associated with a county's principal economic base and its nearness to a metropolitan area. They have affected economic performance in the past, and they are likely to do so in the future as well.

While individual rural areas often depend on a single economic sector--farming, manufacturing, or mining, for instance--it is probably unwise to pin hopes for long-term economic health on the recovery of that sector. While each of these sectors was hard hit during the 1980s, and while recovery is likely for each, none is likely to generate as much employment as it did in former times. In each of these industries, continuing gains have been made in labor productivity, making it possible to maintain and even increase levels of output while cutting jobs at the same time. This trend will continue.

Economic Base Differences

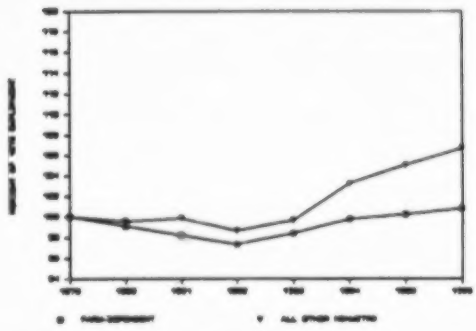
Traditionally, natural resources have been fundamental to rural economic bases. In many areas, farming, mining, oil and gas extraction, and timber production served as basic industries that drove other sectors. But during recent decades, these industries have declined in importance as employers. While they remain important, there now seems to be little prospect that these industries will become engines of growth for many locales.

Traditionally, natural resource industries have been fundamental to the rural economy. . . . there now seems to be little prospect that they will be engines of growth.

Farm-dependent counties. Some 695 counties, mainly located in the Great Plains and Upper Midwest regions, were identified as farm-dependent based on the share of their income from farming during 1975-1979.[12] Since 1979, their economic performance has been largely stagnant, with a slight average annual loss of employment during both the recession and recovery periods of the decade (fig. 7). From 1979-82, job losses in farm-dependent counties occurred only half as fast as for all nonmetro counties, but as problems in the farm sector deepened in the mid-1980s, farm counties continued to lose jobs while other nonmetro counties had modest rates of job growth.

Population trends reflect this economic stagnation. For decades, farming counties have lost population as workers left farming to find work elsewhere. Even during the 1970s, when nonmetropolitan counties as a group benefited from a massive population turnaround, more than 300 of these farming counties, or 43 percent, lost population. As the 1980s have progressed, the number of farming counties losing population has increased; nearly three out of four lost residents between 1983 and 1986.

Fig. 7. Employment in farm-dependent counties in the 1980s

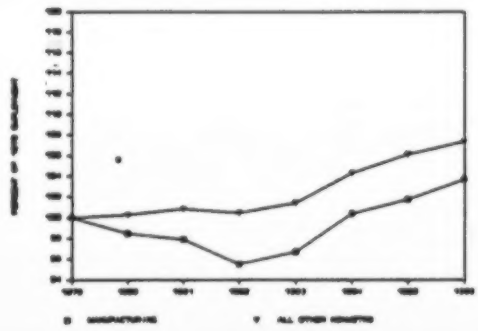


The employment future for these counties is not encouraging. While the farm financial stress of the early 1980s is easing, technological advances in agriculture continue to displace workers from farming. Many farm-dependent areas are remote from urban centers and thus lack many economic alternatives. As a result, farm counties not adjacent to a metro area lost jobs during the recovery period.

Already, the restructuring of the farm sector has nearly eliminated the class of farmers operating small holdings on a full-time basis. What remains is a large base of small, part-time farms and a small number of large farming operations that produce most of the Nation's food supply. There seems little likelihood that farming will be more much more than a lifestyle for the great majority of farmers, or that farming can be viewed as a source of job growth.

Manufacturing-dependent areas. Some 648 nonmetro counties derive 30 percent or more of their income from the manufacturing sector. Most located in the Southeast, with the remainder concentrated in the Great Lakes region. Manufacturing counties were hard hit during the recession, with annual employment losses of nearly 1.5 percent between 1979 and 1982. Since then, nonmetro manufacturing counties have rebounded more than 50 percent faster than all nonmetro counties (fig. 8). Still, this wide cyclical swing in employment--a deep decline during the recession followed by the recent rapid recovery--left these counties below both the U.S. and nonmetro area growth rates for the 1980s.

Fig. 8. Employment in manufacturing-dependent counties in the 1980s



Nearly all manufacturing counties had population growth during the 1970s, but the number dropped sharply in the 1980s. Thirty percent of manufacturing counties lost population during 1980-83 and 45 percent during 1983-86.

The populations and economies of rural manufacturing counties greatly benefited from a large-

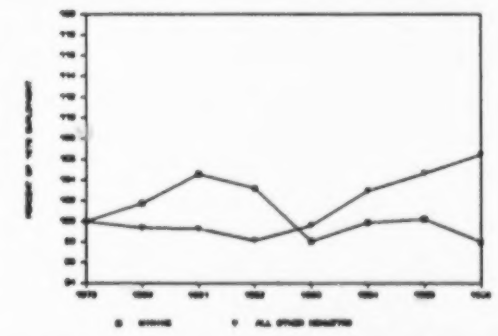
scale movement of factories from the cities to lower-cost rural environments during the late 1960s and early 1970s. This industrial decentralization--made possible by improvements in transportation and communications--allowed many rural communities, especially in the southeast, to replace some of the jobs lost in agriculture by creating branch plant economies.

But in the 1980s, this "filtering down" of manufacturing slowed dramatically, as the advantages of low-cost labor and land in rural locations disappeared. Some large companies found it advantageous to locate in foreign countries where wages were extremely low. At the same time, the deepest recession since the Great Depression, together with increasing international competition and labor productivity, led to a decline in demand for U.S. workers in manufacturing. Rural areas found themselves poorly positioned--because of their distance from markets, their heavy reliance on branch plants, and their lack of highly skilled workers--to shift resources to other activities.

Because rural manufacturing tends to consist of routine processing readily accomplished by a work force with fewer skills, it will remain highly subject to intense competition from other low cost producing areas, especially in the Third World. Furthermore, continuing automation of manufacturing processes will reduce the amount of labor needed to maintain existing levels of industrial output. Without a major expansion in world markets for rural manufactured goods, an outcome that seems somewhat unlikely, employment growth in manufacturing is likely to be slow. If the industrial structure of nonmetro manufacturing counties remains unchanged, these counties are projected to grow only 60 percent as fast as metro areas.[13]

Mining-dependent areas. A small number of nonmetro counties (202), concentrated in coal-producing areas of Appalachia, mineral-producing areas of the West and Southwest, and oil-producing areas of the Oklahoma, Texas, and the Louisiana Gulf Coast, depend on the extraction of natural resources as a basic component of their income. Because these industries depend on demand for and prices of the commodities they produce, their employment trends do not follow a recession-recovery pattern. Between 1979-82, when nonmetro counties as a group were losing jobs at a .2 percent annual rate, mining counties grew 1.3 percent a year. But the fall in prices for coal, oil, and other minerals in the mid-1980s brought about massive job losses in these counties, which averaged nearly 3.5 percent annually between 1982 and 1986 and made these counties the most severely stressed of all rural counties (fig. 9).

Fig. 9. Employment in mining-dependent counties in the 1980s



The 1970s were a period of economic boom in many of these counties. Sharply higher prices for energy in the 1970s set off large scale explorations for coal and oil and brought population and economic growth to many rural communities, especially in some sparsely settled areas of the West. As a group, mining counties had population growth totalling 20 percent during the 1970s, and 90 percent of them gained population during the decade. The 1980s have been a period of dramatic

turnaround for many of these areas as the expected drop in employment due to the completion of initial construction of mines and power plants was supplemented by cuts in the rate of production and exploration for additional resources. Overall, mining counties had population growth under three percent in the 1980s, and actually lost two percent between 1983-86. This stress is shared widely among mining counties: nearly three-fourths lost population in the 1983-86 period.

Some mining counties have opportunities for diversification, especially those with natural beauty that can serve as the base for a tourism industry. But in many, that beauty has been despoiled by the mining activities themselves. For others, few major employment alternatives are apparent, leaving them dependent on the historic boom and bust cycles that have scattered ghost towns across the rural landscape.

Rural Areas as Places to Live

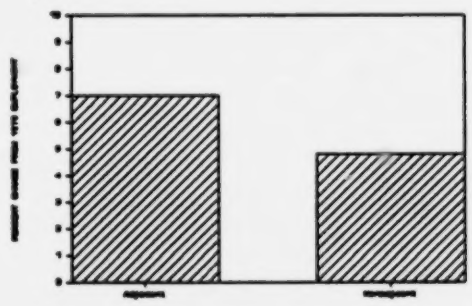
Increasingly, the economic potential of rural areas depends not so much on what can be taken from them or produced in them as on their desirability as places to live. For decades, more Americans have expressed a desire to live in small towns or the countryside than were able to do so. In recent years, even though the Nation's cities are regarded as more liveable than they once were, the most rapid rural growth has been in two groups of counties: those within commuting distance of metropolitan areas, and those found attractive as places to retire.

Increasingly, rural areas' economic potential is based not so much on what can be taken from them or produced in them as on their desirability as places to live.

Counties adjacent to metro areas. Overall, between 1979 and 1986, nonmetro employment growth was more rapid in counties adjacent to a metropolitan area than in more remote counties. While adjacent counties suffered greater employment losses during the recession, their recovery has been much more rapid (fig. 10).

Proximity to a metro area seemed to matter most in the West, where a strong recovery in adjacent counties was set against a 'bust' in the nonadjacent counties. It was also important in the performance of Southern counties. Urban proximity had less pronounced effects in the Northeast and Midwest.

Fig. 10. Job growth has been strongest in counties within commuting distance of cities, 1979-86



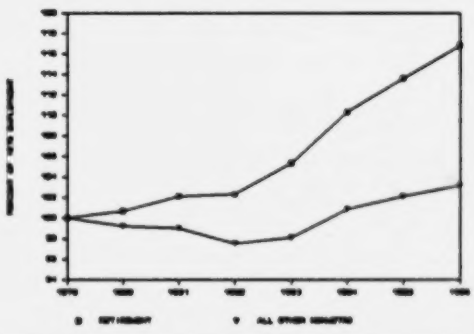
Adjacent counties are undoubtedly greater beneficiaries of the economic vitality of the Nation's metropolitan areas. They are better able

to adjust to changing economic conditions because their factor and product markets, being more intimately tied to an urban industrial matrix, work more smoothly than those in more remote locations. Displaced workers have more job alternatives since they are within commuting distance of metropolitan centers. And in many parts of the country, vigorous metropolitan economic growth has continued to spill over urban area boundaries into nearby nonmetro counties.

Retirement and recreation areas. Some 480 counties have been identified by ERS as prime retirement destinations for the elderly. These counties had high rates of retirement age inmigration during the 1970s. These counties are scattered across the Nation, but important concentrations occur in a band from southern Texas northward through the Missouri Ozarks, Florida, the Great Lakes region, the mountain counties of Appalachia, and in locations throughout the West and Southwest. Usually, these counties offer amenities such as mountains, a coastal area, pleasant climate, or access to recreational opportunities that make them attractive to retirees.

Retirement counties have performed better during the last two decades than any other group of rural counties. During the 1979-82 recessionary period, they experienced job growth at a 1 percent annual rate, higher than any other nonmetro category except the mining counties, which were in a boom during that period. And during the 1982-86 recovery, their employment growth leaped to a 3.4 percent annual rate, more than three times the average for all nonmetro counties (fig. 11).

Fig. 11. Employment in retirement-destination counties in the 1980s



While the retirement counties have held their own better than any other category of nonmetro counties during the economic hard times of the 1980s, they too have felt the effects. In the 1970s, all but 3 retirement counties gained population. Growth has slowed noticeably during the 1980s; one-fourth of retirement counties lost residents between 1983 and 1986.

Economic growth in retirement counties has been made possible by a stable system of social security and other pensions that allows retirees the freedom to choose retirement sites they find attractive. There is evidence that the economies of many of retirement counties are better diversified than other nonmetro counties, in part because the proximity of recreational facilities makes them attractive sites for other industries as well. Given the demographic trend for continued aging of the population, the future of many retirement counties is likely to remain bright well into the next century.

. . . a great many rural communities could profit by making themselves attractive to urban residents as places to retire and places to visit.

Probably a great many more rural counties could profit by making themselves attractive to urban populations as places to retire and places to visit. Surveys have long shown a preference for rural living by a majority of urban residents. While improvements in the quality of urban life have reduced the extent of this preference, it remains high.[14]

The most common attributes that make rural areas attractive as retirement and recreation sites are scenic beauty or recreational opportunities. But not all beauty or recreational opportunities need be created by nature. Rural residents can undertake programs to beautify their communities and countryside and maintain it in uses that urban visitors find attractive. Through the development of imaginative service firms that are attractive to vacationers--recreational facilities, hotels and restaurants--undeveloped potential can be turned into added income for rural communities. Many European countries are undertaking many such programs that could be implemented in rural America as well.

TOWARD THE 21st CENTURY

Finding effective strategies to build brighter futures for rural communities will not be easy. The physical barriers posed by distance have not been fully overcome, and probably will not be. These barriers have put limits on the range of economic activities that are viable in rural settings. Major social barriers resulting from the underdeveloped state of human capital further limit the set of likely futures for rural areas.

Thinking about rural development now centers on strategies that put the local community in charge of its own development, with the goal of developing rural economies that can compete in the more innovative and lucrative sectors. Education has a major part in the success of these strategies.

Overcoming these barriers will require major efforts by rural residents to change their own destinies. Thinking about rural development now centers on strategies that put local communities in charge of their own development, with the goal of developing rural economies that can compete in the more innovative and lucrative sectors. Education has a major part in the success of these strategies.

Building Competitive, Independent Economies

A major weakness of many local rural economies is their reliance on industries and activities that minimize the returns to both workers and the local economy. Traditionally, many rural areas have sold themselves cheaply by entering into bidding wars for the use of their labor and natural resources.[15] From a short term perspective, grabbing for investors that provide ready jobs and cash incomes is perfectly understandable. Compared with their existing incomes and wealth, rural workers often perceive themselves to be relatively better off by accepting what in a broader sense could be considered low wages and inadequate payments.

But in the longer term, this strategy has served rural areas poorly. Encouraged by low prices, natural resource buyers were willing to waste resources to achieve maximum volume, giving little regard to the heritage they were leaving behind for future generations. Low-wage jobs seldom taught useful skills to rural workers who, because they were valued for their low cost and not their talents, were readily replaced by machines or foreign workers when either showed themselves able to do the same job at lower cost. Those rural workers who have employment often have jobs that pay less than they could, and perhaps should. Further, rural workers often find themselves dependent on outside institutions and decision-makers whose choices are not always made with the best interests of rural people in mind. As a result, rural people are often in no position to develop better economic alternatives, or to adapt easily to changes that are thrust upon them from the outside.

Rural areas can develop markets for special products whose demand is not greatly affected by price and can build specializations that give them a competitive advantage vis a vis other producers.

The attractiveness of ready jobs makes it hard for rural leaders to reject costly bidding wars to recruit new industries. But the diminishing supply of relocating firms has raised the costs of recruiting to levels many communities find unacceptable. As an alternative, many communities are turning to internally-oriented development strategies, what some call "self-development."

A self-development strategy calls on communities to identify areas in which they have real opportunities for developing comparative economic advantages and for fully using local resources--raw materials, location, scenic beauty, special talents of its residents--that are currently undervalued and underused. Self-development strategies usually involve community efforts to promote the creation of new, locally-controlled businesses as well. Because they depend heavily on community-wide action, self-development strategies often begin by energizing community organizations and leadership where they exist or creating them where they do not.[16]

The success of self-development in raising the level of well-being within the rural population will depend not merely on the numbers of jobs that are created, but also on the incomes those jobs bring into the community. However, it will not be easy for rural communities to increase their share of activity in the more desirable industries. Continuing evidence shows that the innovative, cutting-edge industries that offer higher-paying jobs are much more likely to locate in urban areas, where they benefit from close contact with their clients and suppliers.

But growth that would improve rural incomes is not impossible. Rural areas can develop markets for special products whose demand is not greatly affected by price, thereby overcoming the cost disadvantage of being located far from their markets. And rural industries can build specializations that give them a competitive advantage vis a vis other producers.

A community self-development strategy will be much more difficult to implement than a traditional business recruitment strategy, however. It requires a vision of what a community can

be, based on a sometimes agonizing search for new strengths that can be developed into competitive economic advantages. Such introspection requires leadership that many communities lack and a self-examination that many communities may be unwilling to undergo. And it requires a long-term perspective on community development that offers no ready solution to the immediate need to improve jobs and income.

Self-development will depend on the ability of rural people to understand the changing economy and their role in it, and to perceive and plan for alternative economic futures that maximize their potential.

The self-development approach is a strategy intended to be implemented by community members themselves, through their own actions using resources available within the community. Thus, it makes a heavy demand on the knowledge and skills of local residents. Whether rural communities will succeed in unleashing the creative potential that lies within them will depend heavily on the ability of rural people themselves to understand the changing economy and their role in it, and to perceive and plan for alternative economic futures that maximize their potential.

Education's Roles

Education has a fundamental role to play in preparing rural Americans for the next century. But the complex nature of rural America's problems makes education's already difficult task even harder. Finding the proper mix of actions to address rural needs will be hard enough. Developing the will to undertake them will be harder still.

Education can contribute to strengthening the position of rural communities in three ways:

- By raising the foundation of basic skills within the rural labor force.
- By helping rural communities understand and adapt to the changing world.
- By directly supporting rural community development efforts.

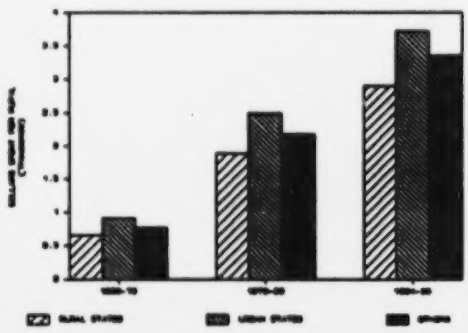
Strengthening basic skills. The ability of rural America's workforce to contribute meaningfully to the emerging economy is sad. While thorough analyses of either the educational needs of the rural population or the skills it presently possesses are lacking, existing data portray the rural population as being much less well educated than the urban population and often lacking basic skills. Illiteracy is believed to be high in some areas. Improving the basic level of education within the rural population--including the adult population--is the most important challenge facing rural schools.

Furthermore, there is little evidence that educational conditions in rural areas are improving. Dropout rates are high in many areas, especially in the South. And while spending for education in rural areas and in rural-oriented states has increased at a faster rate than in urban areas or urban-oriented states, it remains lower (fig. 12). If future rural Americans will depend on their wits

as their forebears did on strength, they will need a strong foundation of intellectual discipline.

Helping rural communities adapt to their challenges. It is virtually certain that as unparalleled change proceeds in the nation's and world's economic structures, rural economies will face a continuing need to adapt. Economic adaptation has been a major, perhaps the major, challenge of the 1980s for rural areas. The need to adapt to changing conditions will continue to drive many rural areas as they approach the next century.

Fig. 12. School spending growing faster in rural states, but gap remains



Most rural communities lack an adequate capability to understand the need to adapt or the ability to bring it about. The lack of appropriate information for community decisionmaking is a basic problem that plagues rural communities from coast to coast. While urban areas have think tanks and blue ribbon civic commissions to study their problems and recommend solutions, rural communities fly by the seats of their pants, piloted in many cases by volunteer, part-time leadership. What these leaders bring to their tasks in the way of dedication and hard work is often not matched by knowledge about the larger events that will shape their communities' futures. It should not be surprising that so many rural communities have no plans for future development and govern themselves by responding to short-term problems or opportunities as they occur.

Schools are often the most significant source of information and leadership within rural communities, but many do not see applying knowledge to community problems as legitimate roles.

While schools are often the most significant source of information and leadership within rural communities, many do not recognize the application of knowledge to community problems as legitimate roles for them to play. It may be important for rural schools to consider new ways to apply their resources to broader community problems. Adult members of the community could make better use of their schools as resources for community problem-solving. School facilities could be used as meeting places; centers of information about civic problems and solutions could be established in school libraries. Through released-time programs, faculty could be encouraged to apply their talents to community issues by conducting research on community issues and teaching special issue-oriented adult education programs. Schools could be the focal point for tapping expertise available elsewhere in the community, or from outside the community using modern techniques of teleconferencing or distance learning. Also students could be directly involved by adding study of the community's history, economy, governance, and problems to the curriculum and by directly involving students in research on community issues through class projects.

Taking a direct role in development. Rural communities' lack of community-specific information is often matched by a lack of institutions to support development projects. While civic groups and local governments have roles to play in sponsoring development programs, the unique position of schools within most rural communities gives them opportunities that should not be overlooked.

While the greatest opportunities may lie in the area of understanding community problems and identifying alternative responses, schools could also become involved in implementing development programs. Faculty could be credited with released time to lead community activities. Students could promote development through class or club projects. And schools themselves could take central roles through such means as school-based enterprise development.

Dilemmas for Rural Education

Making such a transition in the role of schools--from educators to community service agencies--is by no means straightforward. At least three hurdles need to be crossed to put such a program into place. In some instances state laws or rules concerning curricula, teaching loads, and the use of school facilities may require modification to permit such an expanded concept of the rural school. This might require making tradeoffs between traditional academic curricula and community-focused education and may involve apparent threats to the fundamental goal of strengthened basic education. It may be difficult to convince state education policymakers that such tradeoffs are worthwhile, especially if they are unfamiliar with the unique circumstances facing many rural communities.

The spillover of education's benefits from one jurisdiction to another would seem to justify investments by higher governments in rural education.

Second, adding responsibilities without diminishing existing programs will require additional resources for rural schools. At least initially, many rural citizens are unlikely to be supportive. The fact that educated rural students often move away to take jobs in the city is already seen by many rural citizens as a sufficient reason not to spend more for education. Until the community benefits of changing school roles become apparent to these citizens, other means of support may be needed. The existence of spillovers from education--students are educated in one area but eventually become citizens and workers in another--would seem to justify investments by higher levels of government to place a higher floor under basic education spending in rural communities.

Finally, the tendency for the more educated workers to leave for urban jobs drains rural areas of their most capable workers and the best potential leadership for their communities. These workers cannot afford to stay in their home towns without adequate jobs. And economic development projects that would create appropriate jobs are less likely to succeed without the participation of the better educated. Short-term investments to create employment opportunities may be needed to break this chicken and egg cycle. But if such short-term job creation is undertaken, it is important that it be clearly linked to longer-term development efforts that will find places for well-educated rural youth and not end up as one-shot, short term fixes.

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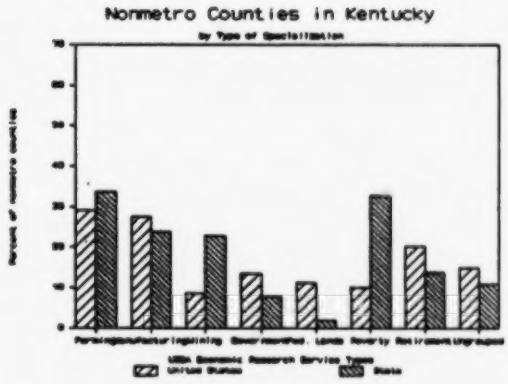
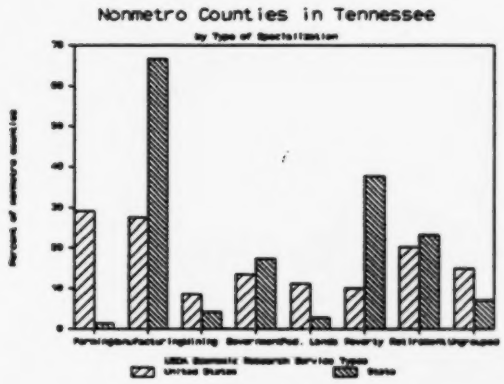
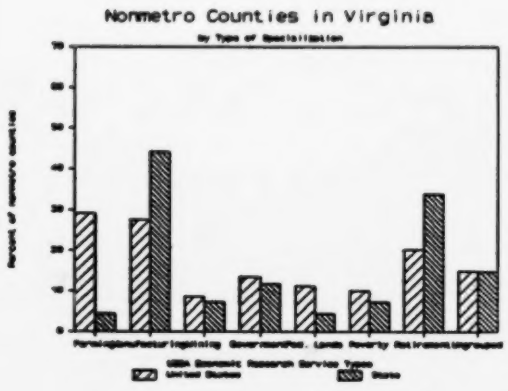
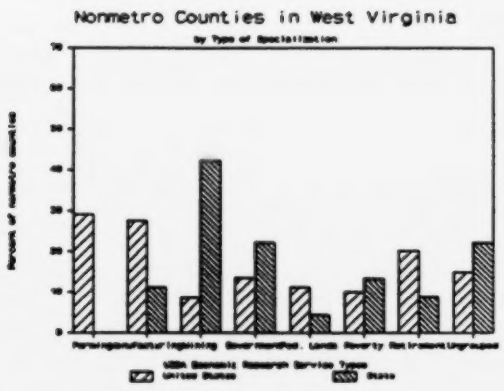
APPENDIX

ECONOMIC BASES OF NONMETRO COUNTIES

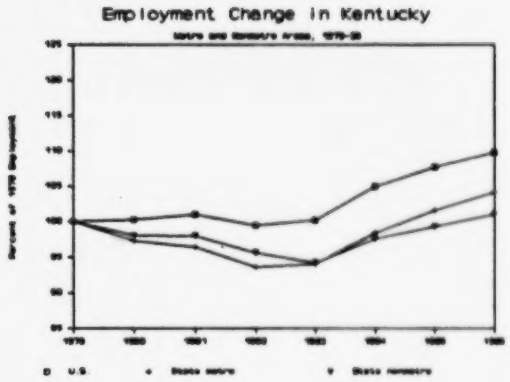


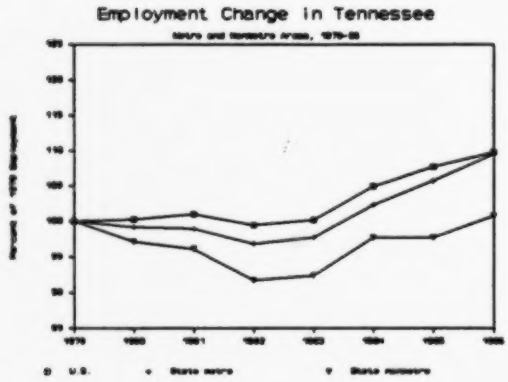


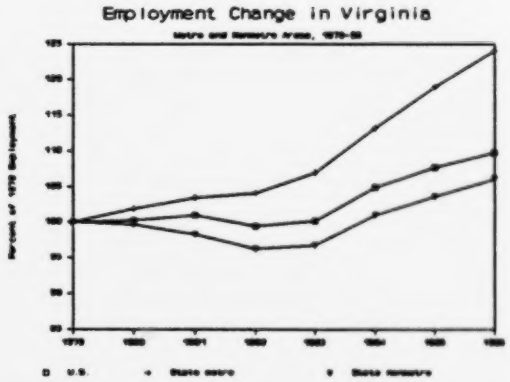


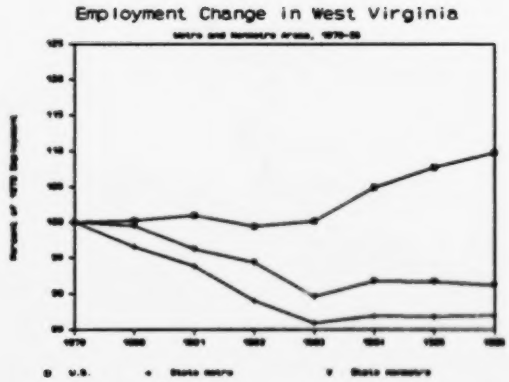


EMPLOYMENT CHANGE, 1979-86



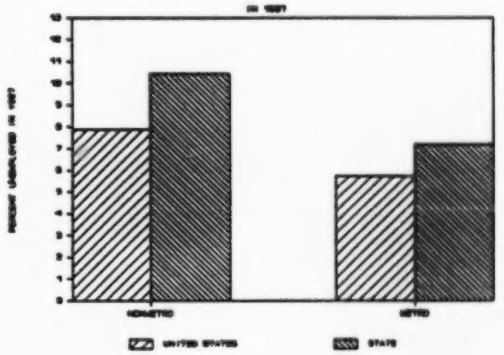






UNEMPLOYMENT RATES

UNEMPLOYMENT IN KENTUCKY



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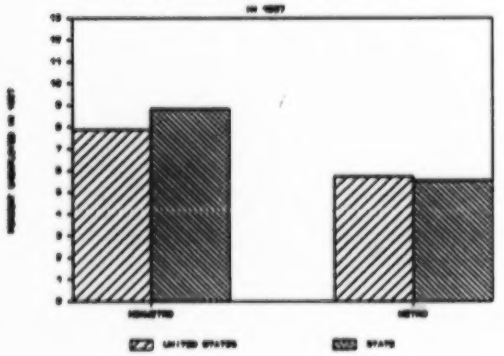
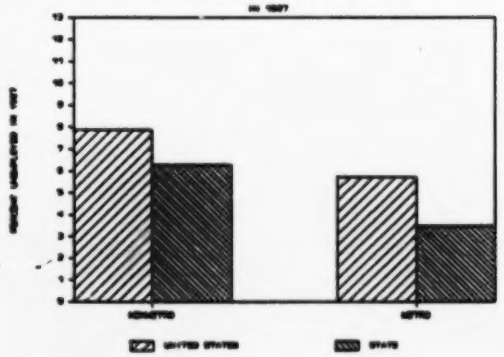
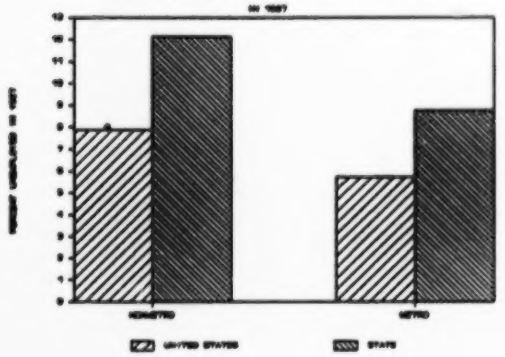


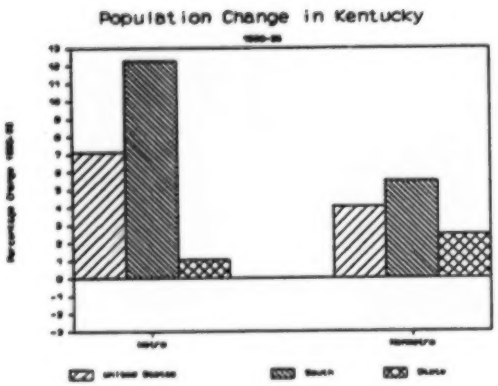
UNEMPLOYMENT IN VIRGINIA

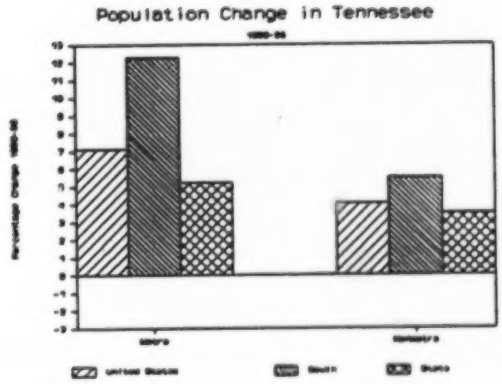


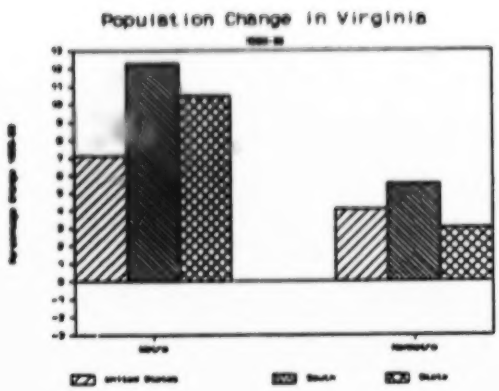
UNEMPLOYMENT IN WEST VIRGINIA

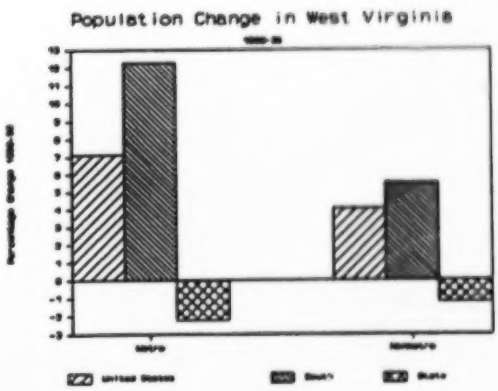


POPULATION CHANGE









NOTES

1. For a classification of nonmetropolitan counties according to their economic base and other important characteristics, see Lloyd D. Bender, *et al., The Diverse Social and Economic Structure of Nonmetropolitan America*, RDRR-49. (Washington: U.S. Department of Agriculture, Economic Research Service, September, 1985).

2. For additional details on this argument, see J. Norman Reid, "Agricultural Policy and Rural Development," in *Agricultural-Food Policy Review*, forthcoming.

3. Unpublished data supplied by the Rural Labor Markets Section, Economic Research Service, U.S. Department of Agriculture.

4. Leonard E. Bloomquist, "Rural Manufacturing Gets Mixed Reviews," *Rural Development Perspectives*, 4(June, 1988): 22-26.

5. David A. McGranahan, "Rural Workers in the National Economy," in Brown, *et al.*, chapter 2; and David A. McGranahan, "Rural Workers at a Disadvantage in Job Opportunities," *Rural Development Perspectives*, 4(June, 1988): 7-12.

6. J. Norman Reid, *et al., Economic Realities in Rural America: Recent Trends, Future Prospects.* Washington: National Governors' Association, 1988.

7. James P. Miller and Herman Bluestone, "Prospects for Service Sector Employment Growth in Nonmetro America," in David L. Brown, *et al.*, eds., *Rural Economic Development in the 1980's: Prospects for the Future*. RDRR-69. (Washington, DC: U.S. Department of Agriculture, Economic Research Service, 1988), chapter 6.

8. James P. Miller (with Douglas Martinez), "High-Tech Industry Not the Answer for All Rural Areas," *Farmline*, 9(November, 1988): 8-9.

9. Linda L. Swanson and Margaret A. Butler, "Human Resource Base of Rural Economies," in David L. Brown, *et al.*, eds., *Rural Economic Development in the 1980's: Prospects for the Future.* RDRR-69. (Washington, DC: U.S. Department of Agriculture, Economic Research Service, 1988), chapter 7.

10. Swanson and Butler.

11. Swanson and Butler.

12. The classification of counties that follows is taken from Bender, *et al.*

13. Reid, *et al.*

14. Calvin L. Beale, "Americans Heading for the Cities, Once Again," *Farmline*, 4(June, 1988): 2-6.

15. Caudill's poignant description of eastern Kentucky provides a case in point. See Harry M. Caudill, *Night Comes to the Cumberlands: A Biography of a Depressed Area*. (Boston: Little, Brown and Company, 1963).

16. For more detail on the self-development strategy, see J. Norman Reid, "Entrepreneurship as a Community Development Strategy for the Rural South," in *The Rural South in Crisis: Challenge for the Future*, ed. by Lionel J. Beaulieu. (Boulder, Colorado: Westview Press, 1988), pp. 325-43.